

1 **Q. PLEASE STATE YOUR NAME, OCCUPATION, AND BUSINESS**
2 **ADDRESS.**

3 A. My name is John Howat. I am Senior Policy Analyst at the National Consumer
4 Law Center, 7 Winthrop Square, Boston, MA 02110.

5 **Q. FOR WHOM ARE YOU TESTIFYING IN THIS PROCEEDING?**

6 A. I am providing testimony in behalf of AARP.

7 **Q. BRIEFLY OUTLINE YOUR PROFESSIONAL AND EDUCATIONAL**
8 **BACKGROUND.**

9 A. I have been professionally involved with energy program and policy issues since
10 1981. Prior to joining the Advocacy Staff at National Consumer Law Center, I
11 consulted with a broad range of public and private entities on issues related to
12 utility industry restructuring. Previously, I served as Research Director of The
13 Massachusetts Joint Legislative Committee on Energy, responsible for the
14 development of new energy efficiency programs and low-income energy
15 assistance budgetary matters; economist with the Electric Power Division of the
16 Massachusetts Department of Public Utilities, responsible for analysis of electric
17 industry restructuring proposals; and Director of the Association of Massachusetts
18 Local Energy Officials. I have a Master's Degree from Tufts University's
19 Graduate Department of Urban and Environmental Policy and Bachelor of Arts
20 Degree from The Evergreen State College.

21 **Q. WHAT ARE YOUR PRIMARY RESPONSIBILITIES AS A SENIOR**
22 **POLICY ANALYST AT THE NATIONAL CONSUMER LAW CENTER?**

1 A. At the National Consumer Law Center over the past ten years, I have managed a
2 range of regulatory, legislative and advocacy projects across the country in
3 support of low-income consumers' access to affordable utility and energy related
4 services. I have been involved with the design and implementation of low-income
5 energy affordability and efficiency programs and outreach efforts, low-income
6 regulatory consumer protection, rate design, issues related to metering and billing,
7 development of load profiles, energy burden analysis and related demographic
8 analysis. In addition to current work in the instant proceeding I work or have
9 worked on behalf of community-based organizations or their associations in
10 Arkansas, Arizona, Illinois, Indiana, Kansas, Louisiana, Massachusetts,
11 Mississippi, New Jersey, Pennsylvania, Rhode Island, Texas, Utah, Vermont and
12 Washington State. I have worked under contract on low-income energy and
13 utility issues with the U.S. Department of Health and Human Services, Oak Ridge
14 National Laboratory, the National Energy Assistance Directors' Association and
15 the Office of the Attorney General in Nevada. I have presented testimony or
16 comments before utility regulatory commissions in California, Illinois, Indiana,
17 Louisiana, Massachusetts, Missouri, Nevada, New Jersey, Pennsylvania, Rhode
18 Island, Texas, and Vermont. I am a presenter at conferences of National
19 Community Action Foundation, National Low Income Energy Consortium,
20 National Energy Assistance Directors Association, National Association of
21 Regulatory Utility Commissions and National Association of State Utility
22 Consumer Advocates. I am co-author of Access to Utility Service, "Home
23 Energy Costs: The New Threat to Independent Living for the Nation's Low-

1 Income Elderly,ö and primary author of öTracking the Need of the Home Energy
2 Needs of Low-Income Households through Trend Data on Arrearages and
3 Disconnections,ö and öPublic Service Commission Consumer Protection Rules
4 and Regulations: A Resource Guide.ö

5 **Q. WHAT ARE THE PURPOSES OF YOUR TESTIMONY?**

6 A. The purposes of my testimony are to (1) identify the need for an Electric Energy
7 Assistance Program, (2) describe the broad parameters of prospective Energy
8 Assistance Programs to be implemented separately by Central Vermont Public
9 Service Corporation and Green Mountain Power Corporation, (3) describe
10 specific design elements of the prospective EAP programs, including calculation
11 of discounts, management of pre-program arrears, and program funding
12 mechanisms, and (4) describe ratepayer-funded energy assistance programs that
13 are operative in the other states, with emphasis on the programs that operate in the
14 other New England states.

15 **Q. WHY IS AN EAP NEEDED IN VERMONT?**

16 A. The need for energy assistance is driven by the facts that basic energy and utility
17 service is a necessity and that income and expense circumstances of lower income
18 households often make that service unaffordable. It cannot be denied that
19 electricity is central to most aspects of modern life. Without reliable electric
20 service, we cannot run appliances, including necessary heating equipment, or light
21 our homes. Legislatures in New England and beyond have recognized that utility
22 service is a necessity of modern life. Here are but a few examples:

1 MAINE: í electricity is a basic necessity to which all residents of the State
2 should have access.¹

3 MASSACHUSETTS: Electricity service is essential to the health and well-being
4 of all residents of the commonwealth...Affordable electric service should be
5 available to all consumers on reasonable terms and conditions.²

6 NEW HAMPSHIRE: í electric service is essential and should be available to all
7 customers³

8 OKLAHOMA: mechanisms that enable . . . consumers with limited incomes to
9 obtain affordable essential electric service" shall be ensured.⁴

10 Because electric service is a basic necessity, it is disconcerting but not surprising
11 to see empirical evidence of drastic measures that low income households resort
12 to when faced with unaffordable energy bills. Even when energy bills are paid in
13 full, there are consequences other than loss of energy or utility service that must
14 be faced. For example, a 2004 Missouri survey of low income energy consumers
15 receiving benefits through LIHEAP indicated that 9% often skipped meals to pay
16 energy bills, and another 34% sometimes skipped meals. Fifteen percent of
17 respondents reported often skipping medicines, and another 30% reported
18 sometimes skipping medicines. Twenty-four percent reported often skipping
19 medical appointments and another 36% reported sometimes skipping such
20 appointments.⁵ Similarly, the 2008 National Energy Assistance Survey of

¹ Maine Rev. Stat. Tit. 35-A, 3214(1)

² Mass. St. 1997, C-164, § § 1(a), 1(b), 1(j), 1(n)

³ N.H. Rev. Stat. C-374-F:3(v)

⁴ Okla. Stat. Tit.17§194.4.

⁵ Colton, "Paid But Unaffordable: The Consequences of Energy Poverty in Missouri and Elsewhere," National Low Income Energy Consortium, June 2004.

1 LIHEAP participants indicated that partly due to high home energy costs, 32%
2 went without food for at least one day, 42% went without medical or dental care,
3 and 38% did not fill a prescription or took less than the full dos of a prescribed
4 medicine.⁶

5 A review of current poverty and living expense data demonstrates that thousands
6 of Vermonters have insufficient income to pay for basic necessities -- including
7 the cost of utility service ó without assistance or through incurring unsustainable
8 debt. The *Basic Needs Budgets* prepared by the Vermont Legislative Joint Fiscal
9 Office in 2007 concludes that, irrespective of family configuration, households
10 living at 150% of the federal poverty guidelines lack sufficient income to pay for
11 basic budget items, including food, rent and utilities, transportation, child care,
12 clothing, and household expenses, telephone charges, a personal expense
13 allowance, health care, dental care, renterø insurance, life insurance, and 5%
14 savings. (The HHS Poverty Guidelines for 2009 are attached as Exhibit AARP-
15 JH-1.) In fact, the report concludes that a öliving wageö in Vermont is nearly
16 300% of the federal poverty guidelines.⁷

17 Exhibit AARP-JH-2 reflects the most current U.S. Census Bureau statistics on
18 Vermont poverty sorted by age and sex. The table illustrates that about 82,000 or
19 nearly 17% of Vermonters live below 150% of the Poverty Guidelines. Based on
20 the basic budget information discussed above, this population lacks sufficient
21 income to make ends meet. Home electricity affordability is thus a very real

⁶ National Energy Assistance Directorsø Association, ö2008 National Energy Assistance Survey,ö April 2009, p. iii.

⁷ Teachout, öLegislative Joint Fiscal Office, *Basic Needs Budgets and the Livable Wage* January 15, 2007, p. 5.

1 problem for many of these individuals, providing justification for the approval
2 and implementation of an EAP in Vermont.

3 It is important to emphasize that elder poverty in Vermont is particularly severe.
4 The table in Exhibit AARP-JH-2 shows that among the Vermont population aged
5 65 years and older, the 150% poverty rate is 26.1%, dramatically higher than the
6 total statewide rate of 16.9%. Further, the 150% poverty rate among Vermont
7 women aged 65 and above is 30.2%. Clearly, this significant, vulnerable
8 population should be protected by the benefits of an EAP.

9 **Q. PLEASE BROADLY DESCRIBE THE PROGRAM THAT YOU ARE**
10 **PROPOSING.**

11 A. AARP has requested in its petition that the Board approve implementation of an
12 electric energy assistance program (øVT EAPø or øEAPø) for customers of Green
13 Mountain Power (øGMPø) and Central Vermont Public Service (øCVPSø)
14 (jointly, øCompaniesø) who fall within 150% of the U.S. Department of Health
15 and Human Service poverty guidelines.

16 The EAP would provide a discounted electric rate block of 25% to participating
17 customers. The discounted block would apply to participantsø monthly usage up
18 to the utility average monthly residential consumption level. Monthly usage in
19 excess of the utility monthly residential class average would be billed at the non-
20 discounted, residential rate. In addition, customers entering the EAP would be
21 provided with the opportunity to have overdue balances retired. The EAP would
22 be funded through a meters charge that would vary according to customer class.

1 Prospective EAP participants could be identified and enrolled in a variety of
2 ways, including through outreach and intake by the Companies, the state office of
3 economic opportunity in conjunction with its role as state administrator of the
4 federal Low Income Home Energy Assistance Program (LIHEAP), and local
5 community-based organizations involved in the delivery of the federal
6 Weatherization Assistance Program (WAP). In addition, Companies,
7 stakeholders, and state agencies may explore developing memoranda of
8 understanding that facilitate the automatic enrollment in EAP of customers
9 participating in other means-tested benefit programs that may be available to low
10 income Vermonters.

11 **Q. WHY SHOULD THE BOARD ORDER THAT THE EAP BE**
12 **IMPLEMENTED?**

13 This broad program design includes a number of advantageous elements. First, it
14 would substantially enhance energy affordability for many of the state's
15 electricity consumers most vulnerable to the effects of high-priced utility service.
16 The table below depicts EAP electricity burden⁸ impact on a hypothetical CVPS
17 customer living in a 2-person household at 100% of the HHS Poverty Guideline.
18 In this hypothetical situation, the household carries a \$250 arrearage that is being
19 paid off through a payment plan of 4 monthly installments. The household's
20 undiscounted electricity consumption and expenditure levels are assumed to be at
21 the 2008 CVPS monthly residential average.

⁸ "Electricity burden" refers to that proportion of household income that is dedicated to expenditures for electric utility service.

**EAP Electric Burden Impact on 2-Person Household at
100% HHS Poverty Guideline and Carrying \$250 Arrearage**

2-Person Household Annual Pretax Income @ 100% FPL	\$14,570
Household Monthly Pretax Income	\$1,214
Arrearage Payment (\$250 / 4)	\$63
Undiscounted Annual Current Bill Electricity Expenditure ⁹	\$1,015
Undiscounted Monthly Current Bill Electricity Expenditure	\$85
Total Undiscounted Monthly Expenditure During Arrearage Payoff	\$147
Undiscounted Electricity Burden	12.1%
Discounted Annual Current Bill Expenditure ¹⁰	\$761
Post-enrollment Arrearage Payment	\$0
Total Discounted Monthly Expenditure	\$63
Discounted Electricity Burden	5.2%

1

2 It can be seen through this example how the EAP as outlined above reduces the
3 hypothetical customer's electric burden during the period of arrearage payoff
4 from 12.1% to a more manageable 5.2%. This enhanced affordability makes it
5 more likely that the household will be able to retain uninterrupted access to
6 necessary service and reduces the likelihood that the customer will be faced with
7 collection activities such as receipt of disconnection notices and requirement to
8 enter into a deferred payment agreement.

9 Related to the enhanced affordability benefit provided through the EAP program
10 design is its comprehensive approach to dealing with participants' current bills
11 and arrearage balances. Affordability objectives of energy assistance programs
12 that fail to address preprogram arrears but discount current bills are undermined
13 by the requirement that participants must add arrearage payoff to that of the
14 current bill. In other words, a portion of the household energy burden reductions

⁹ CVPS Q4 2008 FERC Form 1

¹⁰ Calculation of 25% discounts is described further in testimony and exhibits below.

1 that come from discounted current bills must be given back as customers pay
2 off outstanding balances. Similarly, energy assistance programs that focus
3 entirely on retirement of arrears but not on the affordability of current bills are
4 unlikely to result in long-term household energy security. If current bills are not
5 affordable, there is a strong likelihood that arrears will simply re-accrue after
6 balances are initially retired.

7 In addition to facilitating enhanced home energy affordability and
8 comprehensively addressing participants' total electricity payments, the VT EAP
9 as proposed by AARP would incorporate elements of administrative efficiency into
10 the program design. Such efficiencies minimize the program's administrative
11 expenses and allow a greater proportion of program funds to be devoted to those
12 program benefits that meet the important policy objectives of enhanced home
13 energy affordability and security. Administrative efficiencies of the EAP as
14 proposed by AARP include (1) utilization of existing energy program
15 administrative structures, (2) incorporation of a "straight discount" on volumetric
16 charges, and (3) incorporation of a fixed meters charge to fund program benefits
17 and operations.

18 AARP proposes that program outreach, intake and income certification functions
19 be performed by utility customer service personnel, state LIHEAP administrators
20 within the Office of Economic Opportunity, and Community Action Agencies
21 that deliver WAP to low income households in Vermont. Those state and
22 community-based entities should perform intake and certification functions under
23 contract with CVPS and/or GMP. Such an arrangement would allow the EAP to

1 øpiggybackö onto LIHEAP and WAP, and utilize the administrative structures
2 that have developed around those programs over a period in excess of 30 years.
3 For example, given the overlap in income eligibility guidelines, a CVPS or GMP
4 customer that is certified to receive benefits through LIHEAP could automatically
5 be enrolled in EAP through notification of the utility by the Office of Economic
6 Opportunity. This arrangement would eliminate the time and expense associated
7 with separate intake and certification processes, and would enhance the benefits
8 associated with both programs.

9 The EAP as proposed by AARP would reduce participantsøelectricity payments
10 by providing a straight, 25% discount on monthly consumption up to the utility
11 residential customer class average. Consumption thereafter would be billed at the
12 non-discounted rate. Thus, the EAP would operate essentially as an inclining
13 block rate structure that operates uniformly and consistently for all program
14 participants. Such a structure is administratively less complex and expensive than
15 a program design, such as a øpercentage of income payment plan,ö that entails
16 tailoring a discount or credit to each participantsøunique household income
17 circumstances.

18 In addition to the discount on current bills, AARP is proposing that participantsø
19 pre-program arrears be retired at the time a customer enrolls in EAP. This means
20 of arrearage retirement (sometimes referred to as øarrearage managementö or
21 øarrearage forgivenessö) is far less administratively cumbersome than those
22 methods that involve gradual write-down of arrears over time. Under such
23 schemes, utilities are required modify billing and information systems to track

1 timely payments and incrementally reduce balances according to a predetermined
2 formula.

3 Finally, AARP proposes to fund the EAP through an administratively straight-
4 forward fixed meters charge. As described more fully below, a single, monthly
5 charge would be assigned to each meter. The monthly charge would vary
6 according to customer class but would remain consistent for each customer over
7 time. Not only is this funding mechanism consistent with administrative
8 efficiency goals, but it provides a predictable funding stream that is necessary for
9 smooth program planning and implementation.

10 In addition to enhancing affordability and promoting administrative efficiency,
11 the EAP inclining block structure as proposed by AARP provides participants
12 with an incentive to use electricity wisely. As indicated above, participants would
13 receive the discounted rate only on usage up to the administering utility's monthly
14 residential average consumption level. Participant usage beyond that level would
15 be billed at the non-discounted rate.

16 **Q. HOW SHOULD THE 25% DISCOUNT BE ACHIEVED?**

17 While there are a number of alternate methods of achieving a 25% reduction in a
18 customer's bill, I recommend that the volumetric charges on participant's bills ó
19 up to residential monthly average consumption ó be reduced to the level necessary
20 to achieve an overall bill reduction of 25% while keeping fixed, customer charges
21 constant. This method would provide for relative administrative simplicity, while
22 providing participating customers with an incentive to keep consumption from
23 exceeding the residential class monthly average.

1 Because the monthly customer charge would remain at non-discounted levels,
2 volumetric charges would be reduced by slightly more than 25% to achieve an
3 overall bill reduction of 25%. For example, GMP's general residential tariff
4 allows for a monthly customer charge of \$10.08 and for a volumetric charge of
5 \$0.1302 per kilowatt-hour. According to GMP's Q4 2008 FERC Form 1 filing,
6 average monthly residential consumption was 591 kilowatt-hours. Thus, the
7 average monthly bill under this tariff would have been \$88.10, calculated as
8 $\$10.08 + (591 \times \$0.13202)$. The monthly bill of \$88.10 discounted by 25% would
9 be \$66.08. To achieve this discount at the average consumption level while
10 leaving the customer charge unchanged at \$10.08, the volumetric charge would
11 need to be discounted by 28.2% to \$0.09476 per KWH. Thus, under this
12 discounting method, participating GMP customers would be billed \$0.9476 per
13 KWH for the first 591 KWH used. The volumetric charge would revert to the
14 undiscounted \$0.13202 per KWH for monthly consumption in excess of 591
15 KWH.

16 **Q. HOW SHOULD PARTICIPANTS' PRE-PROGRAM ARREARAGES BE**
17 **MANAGED?**

18 A. AARP proposes that as a customer enters EAP, pre-existing arrears be paid on a
19 one-time basis through application of funds obtained through assessment of
20 meters charges as described below. This means of arrearage retirement provides
21 both administrative simplicity and is consistency with affordability objectives.
22 Further, retirement of pre-program arrears reduces the need for disconnection

1 notices, establishment of deferred payment agreements, disconnection of service
2 for non-payment, and the write-off of accounts as uncollectible.

3 **Q. DESCRIBE THE EAP FUNDING MECHANISM**

4 A. The Vermont EAP should be funded through a flat, monthly fee, or meters charge,
5 on each customer's bill. I recommend that the Board consider two prospective
6 meters charge structures: (1) the structure suggested in AARP's petition in this
7 proceeding and (2) an alternate structure that would shift program funding toward
8 residential customers and away from commercial and industrial customers. The
9 monthly charge as initially proposed is \$1.00 per residential meter,¹¹ \$3.00 per
10 meter for each for each commercial and industrial (C&I) customer whose
11 monthly usage during the previous 12 months did not exceed 12,000 kilowatt-
12 hours, and \$100.00 per meter for each C&I customer whose average monthly
13 usage during the previous 12 months exceeded 12,000 kilowatt-hours. As
14 indicated in Exhibit AARP-JH-3, annual CVPS revenues from these monthly
15 charges would be approximately \$1,633,000 from residential customers, \$835,000
16 from small C&I customers, and \$1,241,000 from large C&I customers. Annual
17 CVPS revenues would total approximately \$3,709,000.¹² As indicated in Exhibit
18 AARP-JH-4, annual GMP revenues from these monthly charges would be
19 approximately \$977,000 from residential customers, \$516,000 from small C&I
20 customers, and \$2,041,000 from large C&I customers. Annual GMP revenues
21 would total approximately \$3,539,000.

¹¹ AARP recommends that residential customers with "duplicate" meters be assessed a single monthly fee of \$1.00.

¹² Program revenue projections are based on Companies' 2008 FERC Form 1 filings and assume a stable customer base going forward.

1 An alternate meters charge structure is presented in Exhibits AARP-JH-5 and
2 AARP-JH-6. Under this scenario, relative program funding burden and meters
3 charges as a percentage of rate class revenues would be modified in favor of C&I
4 customers. The "alternate" meters charge would be \$1.50 per residential meter,
5 \$2.50 per meter for each for each commercial and industrial ("C&I") customer
6 whose monthly usage during the previous 12 months did not exceed 12,000
7 kilowatt-hours, and \$83.33 per meter for each C&I customer whose average
8 monthly usage during the previous 12 months exceeded 12,000 kilowatt-hours.
9 Annual CVPS revenues from these monthly charges would be approximately
10 \$2,449,000 from residential customers, \$669,000 from "small" C&I customers,
11 and \$1,034,000 from large C&I customers. Annual CVPS revenues would total
12 approximately \$4,179,000 under the alternate meters charge scenario. GMP
13 revenues from these alternate monthly charges would be approximately
14 \$1,466,000 from residential customers, \$430,000 from "small" C&I customers,
15 and \$1,704,000 from large C&I customers. Annual GMP revenues would total
16 approximately \$3,600,000. In order to provide adequate program funding while
17 considering an equitable sharing of program costs among rate classes, I
18 recommend that the Board approve the alternate meters charges as specified here.

19 **Q. WHY ARE YOU RECOMMENDING THAT COMMERCIAL AND**
20 **INDUSTRIAL CUSTOMERS CONTRIBUTE PARTICIPATE IN THE**
21 **FUNDING OF EAP?**

22 A. From a practical, program design perspective, energy assistance programs require
23 adequate, secure and predictable funding to be successful in reducing the energy

1 burdens of substantial numbers of low income customers. Spreading program
2 costs among all classes of customers reduces the impact on any single class,
3 enhancing the long-term stability of the funding mechanism. Further, ensuring
4 that all in society have access to an adequate supply of necessary, affordable
5 home energy service is the responsibility of all ratepayers, as recognized by
6 regulatory commissioners and state legislators in dozens of states across the
7 country. In short, there are numerous precedents that support all customer classes
8 contributing to the cost of energy affordability programs. For example, the
9 Massachusetts Department of Public Utilities in 1978, absent explicit legislative
10 authorization, ordered that the costs of a low income discount rate proposed by
11 Massachusetts Electric Company be shared equally by all customer classes.
12 Among the major, ratepayer funded energy assistance programs that are operative
13 today in the U.S., only those in Pennsylvania do not receive support from
14 commercial and industrial customers.

15 **Q. WHAT ARE THE COSTS OF IMPLEMENTING THE EAP AS YOU**
16 **HAVE PROPOSED?**

17 A. Projecting the cost of implementing the EAP requires multiplying the number of
18 program participants by the sum of the value of the monthly discount (or revenue
19 loss) per customer and the average arrearage per customer that is retired. Program
20 administration costs must then be added to the value of discounts and retired
21 arrearages to obtain an estimate of total program costs.
22 To estimate the number of prospective EAP participants for CVPS and GMP,
23 respectively, I multiplied average number of 2008 residential customers by the

1 2008 Vermont 150% poverty rate. I obtained average monthly consumption and
2 billing information from the Companies' FERC Form 1 filings, and residential
3 customer arrearage data from Companies representatives. To estimate total
4 program costs for each company under a range of program participation rates, I
5 multiplied the number of participating customers by the sum of the average
6 discount per participant, the average arrearage per participant, and program
7 administrative costs assumed to be 10% of the value of total discounts.

8 It is very important to note that these cost estimates are reflective of the first year
9 of program operation. Costs per customer in subsequent years will be
10 considerably lower because of reduced pre-program arrears retirement costs.

11 As reflected in Exhibits AARP-JH-7 and AARP-JH-8, the alternate meters charge
12 as described above would raise sufficient funds after one year to provide
13 discounts and arrearage retirement benefits to over 20% of CVPS's income-
14 eligible customers and to over 70% of GMP's income-eligible customers. This
15 disparity is attributable primarily to the fact that the average GMP residential
16 customer arrearage is estimated here to be considerably less than that of CVPS.
17 CVPS would be able to expand enrollment beyond this estimated participation
18 level over time as initial participants' pre-program arrears are retired and the
19 average program cost per existing participant is reduced.

20 **Q. HOW CAN PARTICIPATION IN EAP BE LIMITED TO A LEVEL THAT**
21 **MAY BE ACCOMMODATED BY AVAILABLE OR PROJECTED**
22 **FUNDING FROM METERS CHARGES?**

1 A. The VT EAP, as proposed here, would not operate as an entitlement program.
2 That is, no prospective participant would have a legal right to receive benefits
3 through the program. Program administrators would therefore monitor and
4 control the program intake enrollment processes to ensure that program costs do
5 not exceed existing or expected revenues from meters charges.
6 Monitoring and controlling the intake and enrollment is commonplace in the state
7 administration of LIHEAP, which also is not an entitlement program. States
8 receive allocations through federal appropriations, and program administrators
9 then limit enrollment so that aggregate participant benefits, set asides, and
10 program administrative costs do not exceed the federal allocation. In some
11 respects, planning for participation and benefit levels for EAP would be more
12 straightforward than the annual LIHEAP planning process. While revenues from
13 meters charges are able to be projected with some precision, state LIHEAP
14 administrators must often begin program operation at the beginning of the heating
15 season without knowledge of final Congressional appropriation levels.
16 There are a number of ways that administrators may control intake and
17 enrollment. Program outreach activities should be modulated and geared toward
18 boosting demand for the program on an “as-needed basis.” Further, enrollment
19 priority criteria may be established to ensure that program benefits are well-
20 targeted in the event that demand for participation outstrips available program
21 funding. For example, applications from those with the lowest income levels, or
22 from very low income elders or from disabled customers may be prioritized for
23 enrollment. Or, as a last resort, prioritized applications could be accepted on a

1 “first-come-first-served” basis, with program enrollment closing once pre-
2 determined participation levels are achieved.

3 While it is important to plan for the eventuality that demand for program
4 participation will outstrip available funding, it is instructive to note that after
5 nearly three years of operation, only 3,300 customers had enrolled in GMP’s pilot
6 Energy Support Program which was available to customers living at or below
7 200% of the federal poverty guidelines. The participation rate in the GMP pilot
8 was less than 25%.¹³

9 **Q. WHAT ARE SOME OF THE BENEFITS THAT ACCRUE TO THE**
10 **UTILITY SYSTEM AND SOCIETY THROUGH MAKING HOME**
11 **ENERGY BILLS MORE AFFORDABLE TO LOW INCOME**
12 **CUSTOMERS?**

13 A. Projected gross EAP costs – including revenue loss resulting from discounted
14 bills -- are outlined above. However, making bills more affordable to customers
15 who fall behind because they do not have enough income to meet basic monthly
16 expenses, may result higher “bill coverage rates” and reduce some of the utility
17 costs that would otherwise accrue as a result of non-payment or default. . Thus,
18 some EAP costs as outlined above should be viewed as gross rather than net.
19 Utility costs that accrue when customers fall behind on their payments include the
20 following:

21 - Credit and collection activities, including negotiating deferred payment
22 plans, sending shut-off notices, making personal contact with customers prior to

¹³ The EAP, as proposed here, would operate under tighter income-eligibility guidelines, and be open only to the Company’s customers living at or below 150% of poverty.

1 disconnection of service, disconnecting and reconnecting service, and post-
2 disconnection collection activity;

3 - Bad debt. A percentage of customers are unable to pay and, if the utility
4 cannot collect payments due, the accrued unpaid balances are written off as
5 uncollectible.

6 - Time value/working capital. Even when the customer eventually pays the
7 bill, the utility incurs working capital expenses associated with the lag between
8 the time service is rendered and the late payment.

9 - Diverted revenue through customer payment of disconnect costs/reconnect
10 fees. Utility service disconnections result in unanticipated, unbudgeted expenses
11 for customers, including disconnect/reconnect fees, replacing lost food, etc.
12 Rather than a limited-income customer using resources to pay the bill for current
13 consumption, the customer pays miscellaneous fees and expenses, rendering the
14 current bill even less affordable.

15 **Q. HAVE OTHER STATES IMPLEMENTED RATEPAYER FUNDED**
16 **ENERGY ASSISTANCE PROGRAMS?**

17 A. Yes. In 2007, ratepayer funded energy assistance programs were offered in at
18 least 35 states, including Alabama, Arizona, California, Connecticut, Delaware,
19 District of Columbia, Georgia, Idaho, Illinois, Indiana, Kentucky, Louisiana,
20 Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri,
21 Montana, Nevada, New Hampshire, New Jersey, New York, North Carolina,

1 Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, Texas, Utah, Vermont,¹⁴
2 Washington, and Wisconsin.¹⁵

3 **Q. DESCRIBE THE PROGRAMS THAT ARE OPERATIVE IN THE OTHER**
4 **NEW ENGLAND STATES.**

5 A. Connecticut, Maine, Massachusetts, New Hampshire and Rhode Island each have
6 long histories with ratepayer funded low income energy assistance programs.
7 Each of these programs is funded through charges that accrue to all classes of
8 customers. Programs are described below.

9 **CONNECTICUT**

10 Each regulated electric and gas utility in Connecticut operates an arrears
11 forgiveness program directed toward hardship customers. These programs
12 provide matching grants equal to the sum of customer payments and energy
13 assistance directed to the customer's outstanding balance. The forgiveness
14 programs are divided into a summer and winter program component. In order to
15 receive any matching grant, a program participant must make all required
16 payments during the program period.

17 The statutorily mandated programs require the electric companies to set up a
18 payment plan for low income customers who receive LIHEAP benefits for
19 heating expenses. Payments under the plan may be less than the actual customer
20 bill if that is all the customer can afford. If the customer makes all payments
21 required under the payment plan, on April 30th and October 31st of each year all

¹⁴ Energy Assistance in Vermont was offered through the Green Mountain Power Energy Support Program pilot. Funds for that pilot program were exhausted, so there is no ratepayer funded energy assistance currently offered in

¹⁵ See LIHEAP Clearinghouse, 2007 State-by-State Supplements to Energy Assistance and Energy Efficiency, <http://www.liheap.ncat.org/Supplements/2007/supplement07.htm>

1 personal payments and energy assistance are matched by the company dollar-for-
2 dollar. Customers who maintain their payments are not vulnerable to shut-offs
3 during the non-moratorium period of the year, regardless of debt to the company.
4 The Connecticut Light and Power Company NU START payment incentive
5 program is designed to help low and fixed-income customers with incomes at or
6 below 200% of the federal poverty level maintain year-round electric service,
7 while reducing and eliminating past-due balances. Customers who do not receive
8 energy assistance for their electric bill and are ineligible for the statutorily
9 mandated arrearage forgiveness program, may participate in this program. NU
10 START customers receive year-round electric service as long as they make their
11 budgeted payments on time each month. They have their past-due balance
12 removed from their bill over time. With each month's budget payment, customers
13 receive a credit toward the overdue amount of their bill. Eligible customers
14 include those who have an agency payment of at least \$25 applied to their CL&P
15 bill, a past-due balance of \$100 or more on a CL&P bill which is 60 or more days
16 overdue, and income at or below 200% of the federal poverty level, and they
17 must not have been dropped from NUSTART for nonpayment within a year.
18 The NU START program entails dividing the customer's outstanding arrearage
19 balance by twelve, negotiation of a payment plan, delivery of energy education
20 and budget counseling, and referral to the weatherization and utility energy
21 efficiency program delivery network. Each timely monthly payment according to
22 provisions of the agreed-upon plan results in a reduction of 1/12 of the
23 outstanding arrearage balance.

1 MAINE

2 Investor-owned utilities in Maine have administered ratepayer funded low income
3 energy assistance programs since 1991. Programs vary by utility company, and
4 include a rate discount, a percentage of income payment plan, and a bill credit
5 program. The largest program, operated by Central Maine Power, allows
6 participants to pay a fixed percentage of their income for energy; the percentage
7 varies based on their level of poverty and electric usage. About 30,000 Maine
8 households received benefits through utility energy assistance programs in 2007.

9 MASSACHUSETTS

10 Investor-owned electric companies in Massachusetts have operated rate-payer-
11 funded discount rate programs since the 1980s. The programs were created
12 through rate case proceedings prior to legislative authorization, but were later
13 codified through provisions in the Massachusetts Electric Restructuring Act of
14 1997. That legislation locked in benefit levels that existed prior to 1997.

15 Investor-owned gas utilities operating in Massachusetts now also operate discount
16 rate programs. Costs of the programs, which operate as entitlements to income-
17 eligible customers, are recovered as part of semi-annual true-up proceedings. The
18 programs serve customers at or below 200% of the federal poverty guidelines, and
19 operate in close conjunction with LIHEAP and WAP. In addition to the low
20 income discount rates, each investor-owned electric and gas distribution company
21 operating in Massachusetts operated an Arrearage Management Program
22 (AMP). Program design elements of these programs differ between companies,
23 but each matches customer payments to reduce and retire arrears over time. In

1 Massachusetts, Community Action Agencies, advocates and investor-owned
2 utilities work collaboratively with state agencies, regulators and legislators to
3 ensure that low income energy assistance and energy efficiency programs are
4 well-coordinated and effective.

5 NEW HAMPSHIRE

6 New Hampshire's electric industry restructuring law in 1996 authorized a system
7 benefits charge for low-income energy programs, including a charge of 1.2 mills
8 per kilowatt-hour charge on all customers' bills to fund a low income Electric
9 Assistance Program. In October 2002, the state began operating a Tiered
10 Discount Program. Discounts provided to participants range from 15% to 90%,
11 with lower-income customer households receiving the steepest discounts. The
12 tiers are structured to provide participating low-income households with monthly
13 electric bill payments equal to, on average, 4.5% of income. Local community
14 action agencies determine eligibility based on income levels and then identify the
15 discount that goes with each income level. In addition to the discounted rates,
16 New Hampshire utilities have on two occasions since the program's inception,
17 retired participants' pre-program arrears in full.

18 RHODE ISLAND

19 National Grid, the sole surviving investor-owned utility serving electric and
20 natural gas customers in Rhode Island, provides a straight, low-income discount
21 rate similar to that offered in Massachusetts. However, unlike its affiliate
22 operating in Massachusetts, National Grid does not operate an arrearage
23 management program in Rhode Island. In addition, the Rhode Island discount

1 rate does not operate as an entitlement, but is capped at a spending level approved
2 in National Grid's most recent electricity rate case. Historically, ratepayer funded
3 payment assistance in Rhode Island predates the advent of electric industry
4 restructuring.

5 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

6 A. Yes.